Alagasco
AN ENERGEN COMPANY

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SECRETARY
Filed
Nov 02, 2012
APSC

November 2, 2012

Mr. Walter Thomas
Secretary
Alabama Public Service Commission
P.O. Box 304260
Montgomery, Alabama 36130

RE: Docket Number 18046 and 18328
Informal Docket U-2714

Dear Mr. Thomas:

We herewith file an original and twelve copies of a Schedule of Base Rates to be included in the next filing of Revised Sheet No. 2 of the Tariff Applicable to Gas Service of Alabama Gas Corporation (Tariff) effective December 1, 2012 and thereafter in accordance with the Rate Stabilization and Equalization Factors (RSE) provision of the Tariff. The net effect of the adjustments in this filing is a reduction to all rates on Sheet 2 of the Tariff, effective December 1, 2012.

Portions of the provisions of the Company's RSE read as follows:

> …quarterly reviews of the Company's return on common equity at the end of the rate year using a combination of actual and budget results will be made. Rate reductions will be allowed if the quarterly reviews indicate that the Company's return on average common equity at September 30 will be above the RCE range…

With respect to the rate year ending September 30, 2012, the Company's return on average common equity was 13.60%, which is within the allowed return on equity range. Under the terms of Rate RSE, no rate adjustments to base rates will be made effective December 1, 2012 since the return on average common equity is within the allowed ROE range.

Portions of the provisions of the Company's RSE read as follows:

> An RSE shall be computed to be effective December 1, 2008 and each December 1 thereafter. Rates effective December 1 shall be adjusted (increased or decreased) in accordance with the RSE computed with respect to the return on average common equity (RCE) produced by the Company's budget, as approved by its Board of Directors, for the rate year beginning October 1, 2008 and each October 1 thereafter using base rates in effect on the immediately preceding October 1.

The Company's RCE has been computed for the rate year ending September 30, 2013, as set forth in Rate RSE, and is attached hereto. The forecasted revenues and expenses result in a return on average common equity for the fiscal year ending September 30, 2013 of 12.17%. Under the terms of Rate RSE, rate adjustments to base rates will be made effective December 1, 2012 since the return on average common equity is outside the allowed ROE range. These adjustments will total $8,162,638 on an annual basis. Some of the principal reasons underlying this change include increased operation and maintenance expense offset by increased sales in the Company's core and large commercial and industrial markets.

Also, effective December 1, 2012, the Rate Rider NSR (Negative Salvage Balance) pass back in the amount of ($18,353,221) will be passed back to applicable customers from December 1, 2012 through March 31, 2013.

These adjustments effective December 1, 2012, result in the following changes in rates:

CHANGES PER CCF

	RSE	NSR	Total
Rate Schedule R			
First 50 CCF	$0.0303	$(0.0857)	$(0.0554)
Next 150 CCF	0.0238	(0.0672)	(0.0434)
Over 200 CCF	0.0224	(0.0633)	(0.0409)
Rate Schedule SC and SI			
First 150 CCF	$0.0264	$(0.0840)	$(0.0576)
Next 600 CCF	0.0225	(0.0718)	(0.0493)
Over 750 CCF	0.0208	(0.0662)	(0.0454)
Rate Schedule MH			
W/O Dist. System	$0.0237	$(0.0755)	$(0.0518)
W Dist. System	0.0237	(0.0755)	(0.0518)

CHANGES PER MCF

	RSE	NSR	Total
Rate Schedule LC, LI, & T	$0.183	$(0.718)	$(0.535)

For our records, please date and return to us one stamped copy of this filing. Should you require additional information, please let me know.

Sincerely,

Amy Watson Stewart

Amy W. Stewart

AWS:tst
Attachments

RATE STABILIZATION AND EQUALIZATION (RSE)

December 1, 2012

DETERMINATION OF RETURN ON AVERAGE COMMON EQUITY (RCE)

1. The RCE will be computed for the twelve-month period ending at the budget rate year September 30, The computed RCE shall be calculated in accordance with the formula and specifications set out below:

Twelve Months Statement of Income	September 30, 2012	
Actual Net Income 12 Months	$48,463,565	(1)
Budget Net Income 0 Months (See Section 2B)	$0	(2)
Dividends on Preferred Stock	$0	(3)
Balance for Common (1) + (2) - (3)	$48,463,565	(4)
Plus Expense Adjustment:		
Civic Club Dues	$9,923	
Country Club Dues	13,353	
Dinner Club Dues	30,558	
Lobbying Expense	50,982	
Donations	51,984	
1/2 American Gas Association Dues ($304,590.48 X 1/2)	152,295	
Total Expense Adjustment	$309,095	(5)
After Tax Expense Adj. (5) x .6219*	$192,226	(6)
Adjusted Balance for Common (ABFC) (4) + (6)	$48,655,791	(7)
Average Common Equity (ACE)	$357,775,636	(8)
RCE = (7) / (8) x 100	13.60%	(9)

*Or current factor if tax rate changes to the extent such factor is not a function of the Tax Adjustment Rider.

FISCAL YEAR ENDED SEPTEMBER 30, 2012

APPENDIX C

RATE STABILIZATION and EQUALIZATION FACTORS (CONT'D)
DETERMINATION OF COST CONTROL MEASUREMENTS (CCM)

		2011 Prior Rate Year (A)		2012 Current Rate Year (B)	
O&M Expenses:					
	O&M Expense per Books	$136,698,188		139,965,962.18	(1)
	Adjustments (Net) **	$0		($344,260)	(2)
	Adjusted O&M Expense	$136,698,188	*	$139,621,702	(3)
	Increase (Decrease)				
	(B3) - (A3)			$2,923,514	(4)
	Percentage Change				
	(B4) - (A3)			2.14%	(5)
CPI-U:		226.889		231.407	(6)
	Increase (Decrease)				
	(B6) - (A6)			4.5	(7)
	Percentage Change				
	(B7) - (A6)			1.99%	(8)
	Allowed Range:				
	(B8) + 0.75%			2.74%	(9)
	(B8) - 0.75%			1.24%	(10)
Index Range:					
	O&M Allowed:				
	High (A3) + (A3) x (B9)			$140,443,718.35	(11)
	Low (A3) + (A3) x (B10)			$138,393,245.53	(12)
Adjustment Required:					
	If (B3) > (B11): (B11) - (B3), or				
	If (B3) < (B12): (B12) - (B3), or 0			$0.00	(13)
Net Adjustment:	If (B13) > 0: (B13) x 50%				
	or If (B13) < 0: (B13) x 75%			$0	(14)
Revenue Taxes	(B14) x .05077			$0	(15)
Adjustment	(B14) + (B15)			$0	(16)

* The base O&M expense for the cost control mechanism will be the prior rate year's actual O&M expense (adjusted, as appropriate, for items described in paragraph 5 of Tariff Sheet No. 46) unless the Company's O&M expense, as adjusted, exceeds the top of the Index Range (CPI-U + 0.75%) in two consecutive years. In that event, the Company's base O&M expense for the next year will be the O&M that would have been allowed at the top of the Index Range (CPI-U + .75%), including appropriate adjustments for items described in paragraph 5 of Tariff Sheet No. 46.

** Explanation to be attached

Alabama Gas Corporation
Extraordinary and Non-recurring O&M Expense Explanation
Rate Year Ending September 30, 2012

The Cost Control Measurement adjustment for non-recurring environmental response costs was $344,260.45 which related to a recent completion of certain site remediation activities at the Huntsville, Alabama manufactured gas plant site. Because these expenses are non-recurring, they have been excluded from the Cost Control Measurement provision of Rate RSE.

RATE STABILIZATION AND EQUALIZATION FACTORS (Cont'd)

PRO-FORMA RETURN ON COMMON EQUITY (RCE)
at September 30, 2012

I. Computation of Common Equity Limitation:

Common Equity	$353,761,724	(1)
Long-Term Debt	250,103,000	(2)
Long-Term Debt due within 1 year	0	(3)
Short-Term Debt	57,472,443	(4)
Preferred Stock	0	(5)
Adjustments*	23,244,507	(6)
Total Capitalization (1) + (2) + (3) + (4) + (5) + (6)	684,581,674	(7)
Allowed Common Equity Percentage applicable September 30, 2008	57.0%	(8a)
Allowed Common Equity Percentage applicable September 30, 2009 et seq.	55.0%	(8b)
Common Equity Limitation (7) x (8a) or (8b) as applicable	376,519,921	(9)
(If Line (1) > Line (9) complete Section II)		

II. Computation of Pro-forma RCE:

Pro-forma Long-Term Debt Adjustment (1) - (9)	$0	(10)
Interest Yield Rate (10+ year High Quality Corporate Bonds September 30, 2012)	0.0%	(11)
Pro-forma Interest Adjustment (10) x (11)	$0	(12)
Income Taxes .3781** x line (11)	$0	(13)
Pro-forma Net Income Adjustment (12) - (13)	$0	(14)
12 Months Net Income September 30, 2012	$0	(15)
Imputed Net Income for RSE (15) - (14)	$0	(16)
Pro-forma RCE (16) / (9)	0.00%	(17)

* Explanation to be attached

** Or Current Effective Income Tax Rate

Alabama Gas Corporation
RSE Proforma Equity Adjustments @ 9/30/12

Bonus Depreciation (approved by Commission Order dated April 8, 2008 in Docket U-4883)	$2,102,494
Bonus Depreciation (approved by Commission Order dated April 7, 2009 in Docket U-4883)	$2,968,402
Special Tax Refund (approved by Commission Order dated December 21, 2007 in Dockets 18046 and 18328)	$18,173,611
TOTAL RSE PROFORMA EQUITY ADJUSTMENTS	**$23,244,507**

Alabama Gas Corporation
Schedule of RSE Adjustments to Base Rates
and Cost Control Measures Adjustments
Applicable to Rate Schedules Contained in the Tariff
Effective: December 1, 2012

Rate Schedule		Base Rates 12/1/2011	RSE Adjustments To Base Rates $8,162,638 12/1/2011	Base Rates 12/1/2011	NSR Rider Adjustment ($18,353,221) 12/1/2011
R	Customer Charge	$7.93	$0.00	$7.93	$0.00
	Commodity Charge				
	First 50 Ccf/Ccf	1.0829	0.0303	1.1132	(0.0857)
	Next 150 Ccf	0.8487	0.0238	0.8725	(0.0672)
	Over 200 Ccf	0.7995	0.0224	0.8219	(0.0633)
MH	Customer Charge	$19.95	$0.00	$19.95	$0.00
	Commodity Charge				
	W/O Dist. Sys/Ccf	0.9431	0.0237	0.9668	(0.0755)
	With Dist. Sys.	0.9858	0.0237	1.0095	(0.0755)
SC & SI	Customer Charge	$14.97	$0.00	$14.97	$0.00
	Commodity Charge				
	First 150 Ccf/Ccf	0.9793	0.0264	1.0057	(0.0840)
	Next 600 Ccf	0.8361	0.0225	0.8586	(0.0718)
	Over 750 Ccf	0.7710	0.0208	0.7918	(0.0662)
LC & LI	Customer Charge	$19.95	$0.00	$19.95	$0.00
	Commodity Charge				
	Firm:				
	Pri 1/Mcf (LC Only)	7.315	0.183	7.498	(0.718)
	Pri 2	7.251	0.183	7.434	(0.718)
	Pri 3 (LI Only)	7.135	0.183	7.318	(0.718)
	Interruptible:				
	Pri 3/Mcf	6.863	0.183	7.046	(0.718)
	Pri 4	6.730	0.183	6.913	(0.718)
	Pri 5	6.622	0.183	6.805	(0.718)
	Pri 6	6.493	0.183	6.676	(0.718)
T	Commodity Charge				
	Firm:				
	Pri 1/MMBtu (LC Only)	5.049	0.183	5.232	(0.718)
	Pri 2	4.983	0.183	5.166	(0.718)
	Pri 3	4.867	0.183	5.050	(0.718)
	Interruptible:				
	Pri 3/MMBtu	4.595	0.183	4.778	(0.718)
	Pri 4	4.463	0.183	4.646	(0.718)
	Pri 5	4.355	0.183	4.538	(0.718)
	Pri 6	4.225	0.183	4.408	(0.718)

RATE STABILIZATION AND EQUALIZATION (RSE)

December 1, 2012

DETERMINATION OF RETURN ON AVERAGE COMMON EQUITY (RCE)

1. The RCE will be computed for the twelve-month period ending at the budget rate year September 30, The computed RCE shall be calculated in accordance with the formula and specifications set out below:

Twelve Months Statement of Income	September 30, 2013	
Actual Net Income 0 Months	$0	(1)
Budget Net Income 12 Months (See Section 2B)	$44,929,712	(2)
Dividends on Preferred Stock	$0	(3)
Balance for Common (1) + (2) - (3)	$44,929,712	(4)
Plus Expense Adjustment:		
Civic Club Dues	$9,923	
Country Club Dues	13,353	
Dinner Club Dues	30,558	
Lobbying Expense	50,982	
Donations	51,984	
1/2 American Gas Association Dues ($304,590.48 X 1/2)	152,295	
Total Expense Adjustment	$309,095	(5)
After Tax Expense Adj. (5) x .6219*	$192,226	(6)
Adjusted Balance for Common (ABFC) (4) + (6)	$45,121,938	(7)
Average Common Equity (ACE)	$370,840,463	(8)
RCE = (7) / (8) x 100	12.17%	(9)

*Or current factor if tax rate changes to the extent such factor is not a function of the Tax Adjustment Rider.

RATE STABILIZATION AND EQUALIZATION FACTORS

EFFECTIVE DATE DECEMBER 1, 2012

IF $\dfrac{(AROR - RCE)\ (ACE)}{(1 - t)\ \ (1 - R)\ \ (1 - T)}$ is greater than 4%, then Total RSE$ = 4% x AR

Total RSE$ = 4% X AR = 0.04 x $446,639,316 = $17,865,573

IF $\dfrac{(AROR - RCE)\ (ACE)}{(1 - t)\ \ (1 - R)\ \ (1 - T)}$ is equal to or less than 4%, then

Total RSE$ $\dfrac{(.1340\ -\ .1217)\ \ (370{,}840{,}463)}{(1 - .05583)\ (1 - .04832)\ (1 - .3781)}$ = 8,162,638

Where $t = \dfrac{10}{12} \times \dfrac{AROR}{2}$; $t = \dfrac{10}{12} \times \dfrac{0.1340}{2} = 0.05583$

Base Revenues (Rs) Per Rate Schedule, 12 Months Ending September 30, 2012

R	$184,638,028
MH	555,456
SC & SI	58,710,846
LC, LI & T	93,004,331
LC, LI & T Special	0
Rt (Total Base Revenue)	$336,908,661

Determination of RSE Percentage Limitation

Total RSE$ = $8,162,638

AR = Annual Revenues of the Company for the fiscal year ended September 30, 2012

Total $\dfrac{RSE\$}{AR} = \dfrac{\$8{,}162{,}638}{\$446{,}639{,}316}$ = 1.83%

RATE STABILIZATION AND EQUALIZATION FACTORS

December 1, 2012

ADJUSTMENT PER RATE SCHEDULE

$$RSE = \frac{\dfrac{(AROR - RCE)\ ACE}{(1-t)\ (1-r)\ (1-t)} \quad \dfrac{Rs}{Rt}}{Mcfs}$$

$$R = \frac{\text{Total RSE\$} \times \dfrac{Rr\ (1)}{Rt}}{MCFr} = \frac{(\$8{,}162{,}638)\ \dfrac{(114{,}638{,}300)}{(336{,}908{,}661)}}{(9{,}158{,}229)} = \$\ 0.0303\ /ccf$$

$$R = \frac{\text{Total RSE\$} \times \dfrac{Rr\ (2)}{Rt}}{MCFr} = \frac{(\$8{,}162{,}638)\ \dfrac{(62{,}963{,}384)}{(336{,}908{,}661)}}{(6{,}418{,}063)} = \$\ 0.0238\ /ccf$$

$$R = \frac{\text{Total RSE\$} \times \dfrac{Rr\ (3)}{Rt}}{MCFr} = \frac{(\$8{,}162{,}638)\ \dfrac{(7{,}036{,}344)}{(336{,}908{,}661)}}{(761{,}375)} = \$\ 0.0224\ /ccf$$

$$SC\ \&\ SI = \frac{\text{Total RSE\$} \times \dfrac{Rsc\&si\ (1)}{Rt}}{MCFsc\ \&\ si} = \frac{(\$8{,}162{,}638)\ \dfrac{(18{,}120{,}956)}{(336{,}908{,}661)}}{(1{,}664{,}340)} = \$\ 0.0264\ /ccf$$

$$SC\ \&\ SI = \frac{\text{Total RSE\$} \times \dfrac{Rsc\&si\ (2)}{Rt}}{MCFsc\ \&\ si} = \frac{(\$8{,}162{,}638)\ \dfrac{(21{,}122{,}590)}{(336{,}908{,}661)}}{(2{,}272{,}299)} = \$\ 0.0225\ /ccf$$

$$SC\ \&\ SI = \frac{\text{Total RSE\$} \times \dfrac{Rsc\&si\ (3)}{Rt}}{MCFsc\ \&\ si} = \frac{(\$8{,}162{,}638)\ \dfrac{(19{,}467{,}300)}{(336{,}908{,}661)}}{(2{,}271{,}103)} = \$\ 0.0208\ /ccf$$

$$MH = \frac{\text{Total RSE\$} \times \dfrac{Rmh}{Rt}}{MCFmh} = \frac{(\$8{,}162{,}638)\ \dfrac{(555{,}456)}{(336{,}908{,}661)}}{(56{,}867)} = \$\ 0.0237\ /ccf$$

$$LC\&LI = \frac{\text{Total RSE\$} \times \dfrac{Rlc,\ li\ \&\ t}{Rt}}{MCFlc,\ li\ \&\ t} = \frac{(\$8{,}162{,}638)\ \dfrac{(93{,}004{,}331)}{(336{,}908{,}661)}}{(12{,}023{,}091)} = \$\ 0.1874\ /Mcf$$

$$/\ 1.022\ /Btu$$

$$= \$\ 0.183\ /MMBtu$$

RATE STABILIZATION AND EQUALIZATION FACTORS

NEGATIVE SALVAGE REBALANCING RIDER

December 1, 2012

ADJUSTMENT PER RATE SCHEDULE

$$RSE = \frac{\dfrac{(AROR - RCE) \quad ACE}{(1 - t) \ (1 - r) \ (1 - t)} \qquad \dfrac{Rs}{Rt}}{Mcfs}$$

$$R = \frac{\text{Total RSE\$} \times \dfrac{Rr \ (1)}{Rt}}{MCFr} = \frac{((\$18{,}353{,}221)) \ \dfrac{(98{,}934{,}812)}{(336{,}908{,}661)}}{(6{,}287{,}426)} = \$ \ \underline{-0.0857} \ /ccf$$

$$R = \frac{\text{Total RSE\$} \times \dfrac{Rr \ (2)}{Rt}}{MCFr} = \frac{((\$18{,}353{,}221)) \ \dfrac{(77{,}064{,}117)}{(336{,}908{,}661)}}{(6{,}248{,}994)} = \$ \ \underline{-0.0672} \ /ccf$$

$$R = \frac{\text{Total RSE\$} \times \dfrac{Rr \ (3)}{Rt}}{MCFr} = \frac{((\$18{,}353{,}221)) \ \dfrac{(8{,}639{,}099)}{(336{,}908{,}661)}}{(743{,}639)} = \$ \ \underline{-0.0633} \ /ccf$$

$$SC \ \& \ SI = \frac{\text{Total RSE\$} \times \dfrac{Rsc\&si \ (1)}{Rt}}{MCFsc \ \& \ si} = \frac{((\$18{,}353{,}221)) \ \dfrac{(17{,}104{,}196)}{(336{,}908{,}661)}}{(1{,}108{,}600)} = \$ \ \underline{-0.0840} \ /ccf$$

$$SC \ \& \ SI = \frac{\text{Total RSE\$} \times \dfrac{Rsc\&si \ (2)}{Rt}}{MCFsc \ \& \ si} = \frac{((\$18{,}353{,}221)) \ \dfrac{(20{,}582{,}423)}{(336{,}908{,}661)}}{(1{,}562{,}523)} = \$ \ \underline{-0.0718} \ /ccf$$

$$SC \ \& \ SI = \frac{\text{Total RSE\$} \times \dfrac{Rsc\&si \ (3)}{Rt}}{MCFsc \ \& \ si} = \frac{((\$18{,}353{,}221)) \ \dfrac{(21{,}024{,}227)}{(336{,}908{,}661)}}{(1{,}730{,}873)} = \$ \ \underline{-0.0662} \ /ccf$$

$$MH = \frac{\text{Total RSE\$} \times \dfrac{Rmh}{Rt}}{MCFmh} = \frac{((\$18{,}353{,}221)) \ \dfrac{(555{,}456)}{(336{,}908{,}661)}}{(40{,}089)} = \$ \ \underline{-0.0755} \ /ccf$$

$$LC\&LI = \frac{\text{Total RSE\$} \times \dfrac{Rlc, \ li \ \& \ t}{Rt}}{MCFlc, \ li \ \& \ spec} = \frac{((\$18{,}353{,}221)) \ \dfrac{(93{,}004{,}331)}{(336{,}908{,}661)}}{(6{,}901{,}118)} = \$ \ \underline{-0.7341} \ /Mcf$$

$$/ \ \underline{1.022} \ /Btu$$

$$= \$ \ \underline{-0.718} \ /MMBtu$$